



STATE OF WASHINGTON  
GAMBLING COMMISSION

P.O. Box 42400 • Olympia, Washington 98504-2400 • (360) 438-7654 • TDD (360) 438-7638 • FAX (360) 438-7503

November 3, 2003

<b>TO:</b>	<b>COMMISSIONERS</b> Liz McLaughlin, Chair Alan Parker, Vice Chair George Orr Curtis Ludwig Judge Janice Niemi (Ret.)	<b>EX OFFICIO MEMBERS</b> Senator Margarita Prentice Senator Shirley Winsley Representative Alex Wood Representative Cheryl Pflug
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**FROM:**  Robert Berg, Deputy Director

**SUBJECT:** Commission Alternative to RGA Petition, Increased Betting Limits  
Regulatory Issues

We have reviewed the commission alternative to the petition regarding increased betting limits. The amended rule proposal would allow for one (1) two hundred dollar (\$200) maximum wager table for every five (5) tables authorized in the house-banked card room's commission license, to a maximum of three (3) tables in a card room licensed for fifteen tables (15).

- An establishment licensed for five or fewer tables would have one table at the higher limit;
- An establishment licensed for five to ten tables would have two tables at the new limit;
- An establishment licensed for ten to fifteen tables would have three at the new limit.

The number of \$200 tables allowed is based on the number of tables licensed not the number of tables in operation. The rule would be in effect for calendar year 2004.

If this rule is adopted as amended by the commission, we do not anticipate changing our regulatory structure or approach. The proposed commission amendment to the rule petition is structured in a way that will ensure that special agents can easily tell if the licensee is in compliance. They need only check the license to determine the number of \$200 tables allowed.

Memo to Commissioners

Commission Alternative to RGA Petition, Increased Betting Limits - Regulatory Issues

November 3, 2003

Page Two

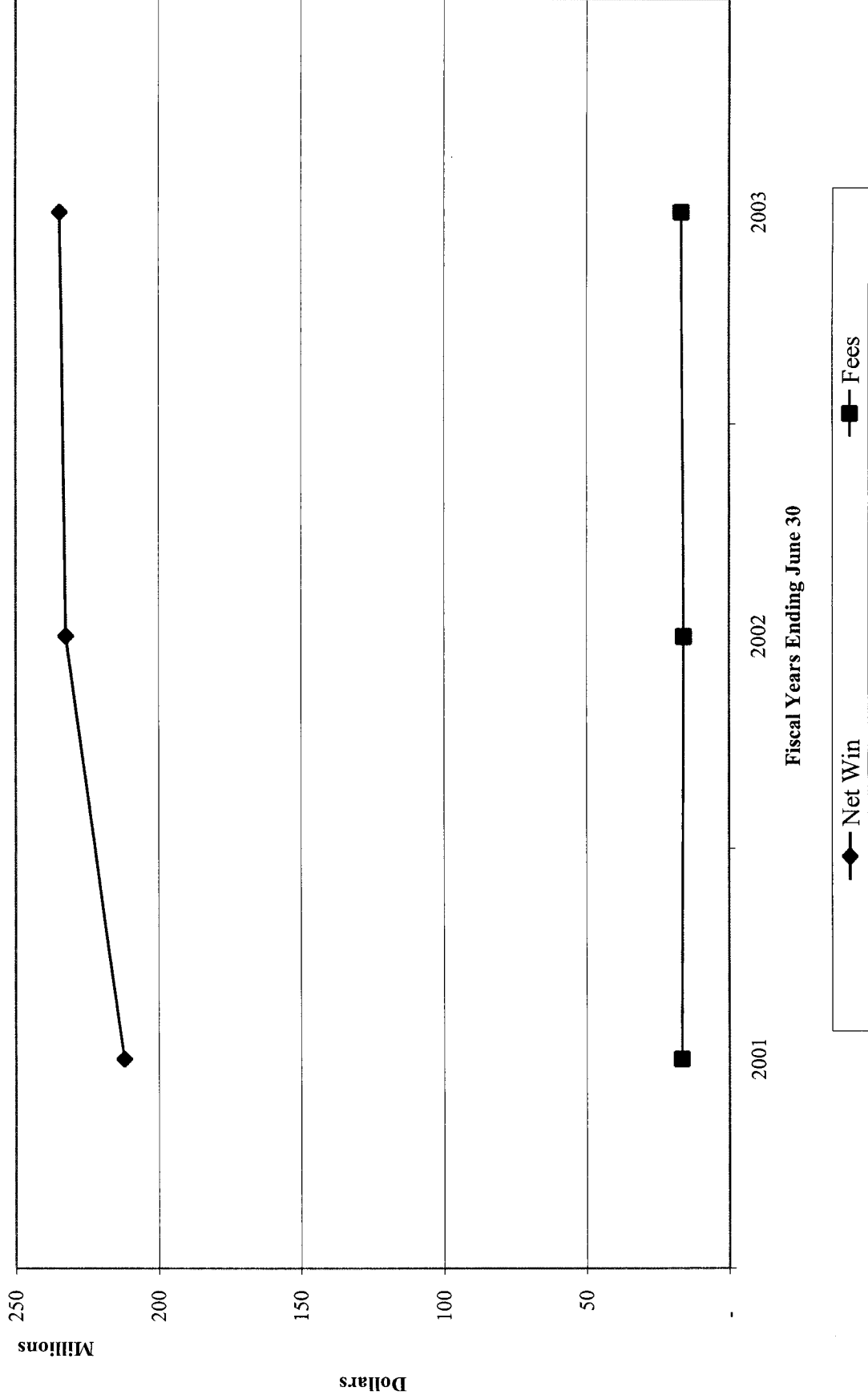
Commission rules already require posting of maximum betting limits. The proposed increase would expose the licensee to higher potential losses. As a result, we may see at least an initial increase in complaints relative to cashing out higher amounts. The Commission is considering rules pertaining to minimum bankroll requirements and financial statement submissions which may allow us to be more proactive concerning potential problems relative to the solvency of the licensee.

We believe that there is an increased potential for attracting crime such as cheating and possibly money laundering. However, those impacts are believed to be minimal. As most players will continue to bet less than the higher limit, we do not anticipate that gross receipts will increase significantly with the proposed rule. There would be an impact on staff if there is a marked increase in complaints associated with the higher limits.

One impact to staff might occur should the commission want specific information tracked during the year for which the rule is in place like gross per table with higher limits or impact "check ins" with local law enforcement.

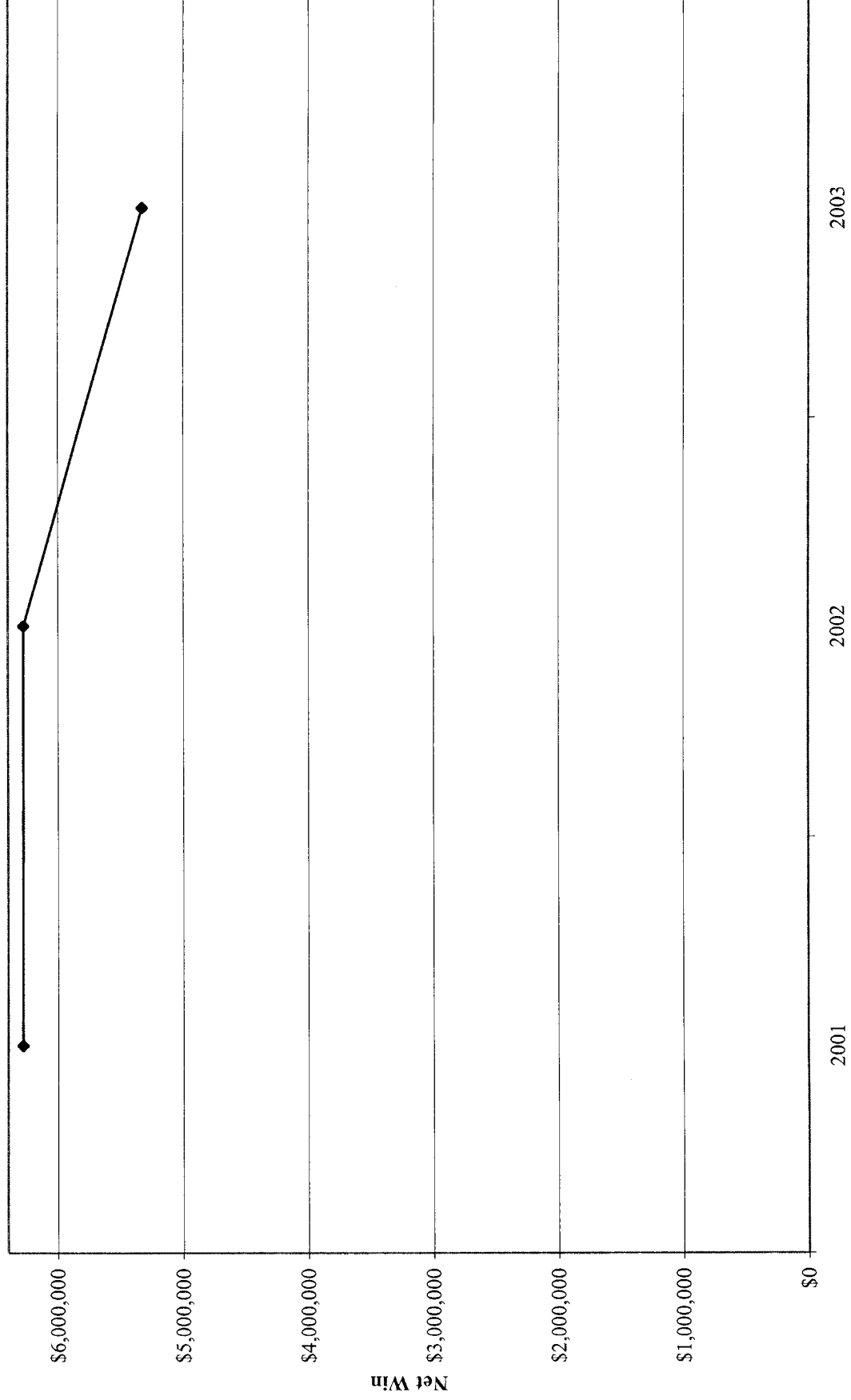
Finally, it is understood that this amended rule proposal would apply to all card games offered in the house banked environment. As such, the dollars on the table per hand for games, such as "Let it Ride" and Caribbean Stud, will increase proportionately as was demonstrated at the commission meeting in Leavenworth on September 12.

# **Card Room Net Win Comparison** Fiscal Years 2001-2003



WASHINGTON STATE GAMBLING COMMISSION

SKYWAY BOWL NET WIN 2001-2003





STATE OF WASHINGTON  
GAMBLING COMMISSION

P.O. Box 42400 Olympia, Washington 98504-2400 (360) 486-3440 1-800-345-2529 FAX (360) 486-3623

September 3, 2003

The Honorable John Daniels Jr.  
Muckleshoot Tribe  
39015 172nd Avenue SE  
Auburn, WA 98092

Dear Chair Daniels:

The members of the Gambling Commission have asked me to let you know about a petition before the Commission to increase the betting limits for non-tribal house-banked card rooms.

The petition, filed by the Recreational Gaming Association, asks the Gambling Commission to amend WAC 230-40-120 to increase the betting limit on house-banked card rooms from \$100 to \$300. This proposed rule change will be up for discussion at the Commission's meeting in Leavenworth on September 11 and 12, 2003, and will be up for final action at the Commission's meeting in Spokane on October 9 and 10, 2003.

Public testimony will be taken at both meetings, and you are also welcome to submit written testimony if you desire. If you have any questions regarding this matter, please contact Special Assistant Ed Fleisher at (360) 486-3449.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Day".

Rick Day  
Director



STATE OF WASHINGTON  
GAMBLING COMMISSION

P.O. Box 42400 • Olympia, Washington 98504-2400 • (360) 486-3440 • FAX (360) 486-3623

August 28, 2003

TO: Rick Day  
FROM: Ed Fleisher *EF*  
SUBJECT: Expansion of Gambling

This is in response to your request for a discussion on the question: "What constitutes an expansion of gambling?" This can be looked at either as a narrow legal inquiry or a broader policy question.

The legal question arises in the context the voting requirements for the passage of gambling legislation. Article 2, Section 24 of the State Constitution requires a 60% vote of each house of the legislature to pass legislation authorizing lotteries (under the constitution, all forms of gambling are lotteries). Whether the 60% voting requirement applies to a particular piece of legislation is a decision made by the Speaker of the House or the President of the Senate.

The factual or policy answer to the question is subject to much opinion and debate.

Here are some possible answers:

- Expansion of gambling means only those actions that require a 60% vote of the legislature.
- Expansion of gambling means any action that authorizes a new type of gambling activity.
- Expansion of gambling means any action that increases the wagering limits for gambling.
- Expansion of gambling means any action that provides additional opportunities to gamble.
- Expansion of gambling means any action that adds a new location where persons may gamble.
- Expansion of gambling means any action that increases the number of licensed gambling establishments.
- Expansion of gambling means any action that causes a noticeable increase by the public in the amount of gambling in the state.

Each of these is a legitimate answer to the question. However, it has been my experience that persons asking us if something is an expansion of gambling are usually looking for a broader analysis than simple compliance with constitutional requirements.



STATE OF WASHINGTON  
**GAMBLING COMMISSION**

P.O. Box 42400 Olympia, Washington 98504-2400 (360) 486-3440 1-800-345-2529 FAX (360) 486-3623

August 27, 2003

**TO: COMMISSIONERS**  
Liz McLaughlin, Chair  
Alan Parker, Vice Chair  
Curtis Ludwig  
George Orr  
Judge Janice Niemi (Ret.)

**EX OFFICIO MEMBERS**  
Senator Margarita Prentice  
Senator Shirley Winsley  
Representative Alex Wood  
Representative Cheryl Pflug

**FROM:** Rick Day, Director 

**SUBJECT: INCREASED WAGER LIMITS PETITION  
SUMMARY OF POTENTIAL IMPACTS**

The petition filed by the Recreational Gaming Association (RGA) seeks to amend WAC 230-40-120 (6). This rule sets house-banked card room single wager limits at a maximum of \$100. The petitioner requests that wager limits be increased from \$100 to \$300.

**Regulatory Issues**

- ☐ Higher limits do increase the licensee's exposure to higher losses. We have concerns about situations where licensees don't have the money to cash out chips.
- ☐ If higher limits are allowed, minimum cash on hand amounts must be established.
- ☐ Greater volume of cash may attract criminal activities, such as cheating by players and dealers, hidden ownership and money laundering.

**Policy Issues and Considerations**

- ☐ An increase in betting limits will be considered by some to be an expansion of gambling.
- ☐ The recently concluded legislative session did not authorize changes to the statutes regarding the types of gambling or operation of gambling in Washington.



**Policy Issues and Considerations** (Continued)

- ☐ An increase in betting limits for one interest group may increase the pressure to raise betting limits for another interest group.
- ☐ This increase in betting limits might have an impact on charitable and nonprofit organizations that conduct gambling activities as fund-raisers for the purpose of their organization.
- ☐ Tribal-State Compacts authorize a \$500 betting limit.
- ☐ Most individuals gambling wager less than \$100. However, financial data indicates operations have struggled at the Phase I limit of \$25.

Special Assistant Ed Fleisher has provided a memorandum regarding the question on "What constitutes an expansion of gambling?" Please see the attached document.






STATE OF WASHINGTON  
GAMBLING COMMISSION

PO Box 42400 Olympia Washington 98504-2400 (360) 486-3440 TTD (360) 486-3637 FAX (360) 486-3625

August 1, 2003

**TO:**           **COMMISSIONERS**                           **EX OFFICIO MEMBERS**  
Liz McLaughlin, Chair                           Senator Margarita Prentice  
Alan Parker, Vice Chair                       Senator Shirley Winsley  
Curtis Ludwig                                   Representative Alex Wood  
George Orr                                       Representative Cheryl Pflug  
Judge Janice Niemi (Ret.)

**FROM:**       Rick Day, Director 

**SUBJECT:**   **Petition to Amend WAC 230-40-120**  
                  **House-banked Card Room Games**  
                  **Filed by Recreational Gaming Association**

The petition filed by the Recreational Gaming Association (RGA) seeks to amend WAC 230-40-120 (6). This rule sets house-banked card room single wager limits at a maximum of \$100. The petitioner requests that wager limits be increased from \$100 to \$300. In September 2001, the RGA filed a petition to increase betting limits to \$500. Prior to the Commission taking action on the petition, the RGA withdrew the petition. At the November 2001 Commission meeting, the Commission filed a second petition submitted by the RGA, which set forth three options for increasing betting limits. At the January 2002, Commission meeting the RGA asked that the petition be held over until after the legislative session.

Staff analyzed the Petition and offer these observations for your consideration as you discuss the petition.

**History**

On April 15, 1973, both houses of the Washington Legislature passed Substitute House Bill 711 and forwarded it to the Governor. On April 26, 1973, Governor Daniel Evans signed the bill after vetoing several sections. His veto removed all mention of "social card games" from the statute.

In 1974, the Legislature amended the gambling statute to authorize of social card games. Again these references were vetoed, but the Legislature overrode the veto and social card games were authorized.



The 1974 amendment included a section providing the Commission with the authority and responsibility "... To regulate and establish the type and scope of and manner of conducting social card games permitted to be played, and the extent of wager, money or other thing of value which may be wagered or contributed or won by a player in a social card games." This section was later amended to apply to all activities but the essence of the statute has never changed. The Commission has the power and duty to set wagering limits.

The wagering limits for poker changed in the early 1980's to allow \$5 wagers on multiple wager games. The value of the wagers eventually went to \$10. However, this "limit" did not truly reflect the total wagers that could be placed during a game. A player in a game with five betting rounds with a \$2 wager and two \$2 raises could wager a total of \$30 on a single hand of cards. Today's rule for poker wagering allows for \$25 wagers, three raises and five betting rounds. Theoretically, a player could wager \$500 per hand of poker based on these rules.

The current maximum house-banked card game Phase II single wager limit is \$100, which is set by WAC 230-40-120. Players are allowed to make additional wagers like splitting a pair or doubling down in blackjack, or playing more than one spot on a table. These would effectively increase the maximum betting limit on a hand or involve a single patron to greater than the \$100 limit.

### **Regulatory Issues**

Raising betting limits from \$100 to \$300 causes no significant regulatory concerns. Special Agents in our tribal gaming unit co-regulate tribal casinos with tribal gaming agencies. Tribal-state compacts authorize \$500 betting limits for Phase II operations.

Higher limits do increase the licensee's exposure to higher losses. We have concerns about situations where licensees don't have the money to cash out chips. This has already happened and emergency drop box counts have occurred. If higher limits are allowed, minimum cash on hand amounts must be established. We anticipate the Commission will adopt an amendment to WAC 230-40-833 (ITEM 14) at the September Commission meeting to establish minimum bankroll requirements.

The greater volume of cash may also attract criminal activities, such as cheating by players and dealers, hidden ownership and money laundering.

There were 79 house-banked card rooms (HBCR) that operated April 1, 2002 through March 31, 2003. The following data is based on an analysis of activity reported by these card rooms to the Financial Investigations Unit. This following does not include non-gambling income like restaurant or bar income and only presents the gambling side of their financial situation:

- 16 of the 79 HBCR locations reported a negative card room income

- 3 of these reported net losses from punchboard and pull-tabs
  - 7 of these operated under Phase I at some time
  - 2 are still operating under Phase I and 1 has since closed
- 16 of the 79 HBCR operated under Phase I limits.
  - 8 of these are still operating under Phase I limits
  - 7 of these reported a new loss while operating under Phase I
  - 1 closed while operating under Phase II
- 5 of the 79 have since closed
- Most new HBCR have a negative card room income in their first six months operating at the Phase I limit of \$25. However, card rooms that pass their Phase II Review do perform better at the increased limit of \$100. We anticipate that the Elimination of Formal Phase II Reviews will be adopted at the August Commission meeting to become effective September 15, 2003. This change would allow card rooms to open with \$100 betting limits.

### **Policy Issues and Considerations**

Staff is not offering a recommendation since this is primarily a policy decision. However, we would offer the following as issues and considerations as you review the petition.

- An increase in betting limits will be considered by some to be an expansion of gambling.
- The recently concluded legislative session did not authorize changes to the statutes regarding the types of gambling or operation of gambling in Washington.
- An increase in betting limits for one interest group may increase the pressure to raise betting limits for another interest group.
- This increase in betting limits might have an impact on charitable and nonprofit organizations that conduct gambling activities as fund-raisers for the purpose of their organization.
- Tribal-State Compacts authorize a \$500 betting limit.
- Most individuals gambling wager less than \$100. However, financial data indicates operations have struggled at the Phase I limit of \$25.

Staff will be available to answer your questions at the Commission meeting on August 14 and 15 in Vancouver.